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STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XXXX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
PARIS ALSO FOR POL
ROME FOR MFO

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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key Stories in the Media:

Israel Radio quoted Secretary of State Rice as saying on her way to Egypt that providing arms to U.S. allies in the Middle East will not upset the balance of power in the region. Secretary Rice added that

the arms deal is in response to threats from Syria, Iran, Hizballah and al-Qaida.

Israel Radio quoted Jerusalem officials as saying that Secretary Rice will be told that Israel is trying to persuade PA Chairman Mahmoud Abbas not to reconcile with Hamas. Yediot reported that Secretary Rice is expected to pressure Prime Minister Ehud Olmert to

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publically declare that Israel is willing to discuss the Saudi peace initiative with the hope that this will convince Saudi Arabia to participate in the international conference this fall. Israel Radio reported that Arab League Secretary-General Amr Moussa said on Monday following a meeting with Arab foreign ministers in Cairo that they will tell Secretary Rice in Sharm el-Sheikh that the proposed fall peace conference must address all issues relating to Israel including rlands captured from Syria.

The Jerusalem Post, citing diplomatic officials in Israel, reported that restrictions on several components in the arms sale to Saudi Arabia could complicate matters when Secretary Rice visits Jeddah on Tuesday and tries to convince the Saudis to play a more public role in promoting the Palestinian-Israeli peace process. The newspaper also reported that the arms deal with Saudi Arabia would face stiff opposition in Congress as congressmen have pledged to block the deal.

Maariv continued reporting on a planned economic peace conference. The paper wrote that the Israeli-Palestinian Business Council (IPBC) is behind the venture and that it may take place in late October. The paper speculated that Prime Minister Olmert, PA Chairman Abu Mazen and Quartet envoy Tony Blair will take part.

Makor Rishon-Hatzofe reported that Palestinian Prime Minister Salam Fayad of Fatah said in a press conference on Sunday that:

"resistance is the legitimate right of the Palestinian people which is under occupation." Fayad noted that the recently presented platform for his new government is designed for the post occupation period.

Ha'aretz reported that a week ago the Ministry of Foreign Affairs published new guidelines allowing renewed diplomatic ties with Palestinian representatives around the world.

Yediot reported that the Iranian regime is enhancing efforts to recruit Hebrew speakers for its intelligence service. Iranians have been approaching Hebrew speaking Arabs, such as Palestinians, who are studying in third countries. According to the newspaper, this effort is being led by Hizbullah.

All media reported that the US Congress last week voted to loosen restrictions for the Visa Waiver Program. The media noted that Israel could be one of the additional 12 countries that will meet the new criteria. The media also emphasized that even following a presidential OK, the program might take another year to implement.

The Jerusalem Post reported that Hamas militiamen prevented the distribution of three Fatah newspapers in Gaza.

Mideast:

Summary:

Veteran senior columnist Yoel Marcus wrote in the independent, left-leaning Ha'aretz: "Bush is ending his failed career the only way America knows how: Here, take the money, and work it out yourselves."

Columnist Anshel Pfeffer wrote in the conservative, independent Jerusalem Post: "Tony Blair might have been an effective prime minister, but he's now on the path to being a has-been. Anyway, his American friends weren't prepared to entrust him with anything more than being an economic coordinator. Not that they're doing much better. What are the chances that the weakest and most discredited

U.S. administration in living memory, whose rating is low especially in this region, will succeed where no one has before in resolving our conflict?"

Well-known novelist and journalist Amos Oz wrote in the mass-circulation, pluralist Yediot Aharonot: "If [Olmert and Abu Mazen] muster the courage and reach a draft agreement, and if that draft agreement is put to a referendum in Israel and Palestine, it will become evident to everyone that the two peoples are willing to reach a compromise solution.... The two peoples already know what

the bottom line is. And they are destined to accept that bottom line in a referendum -- even if they do so through gritted teeth."

Columnist Caroline Glick wrote in the conservative, independent Jerusalem Post: "If the US were willing to understand the clear lessons from its Cold War experience in the Middle East, it would not be pushing Israel to weaken itself still further through land giveaways to Iran's Palestinian proxies. It would not be actively undercutting Israel's national security by supplying sophisticated weapons to the Saudis."

Former Director General of the Prime Minister office Yossi Ben Aharon wrote in the popular, pluralist Maariv: "The most dangerous possible outcome of this conference would be for the Olmert government to internalize the conflict.... Implementing this idea will turn Israel into a protge of the international community and hurt its sovereignty dearly. All this will be in exchange for an agreement that bears no resemblance to peace."

Block Quotes:

II. "Work it Out Yourselfs"

Veteran senior columnist Yoel Marcus wrote in the independent, left-leaning Ha'aretz (07/31): "The American decision to sell billions of dollars' worth of cutting edge weapon technology to Saudi Arabia and other Gulf countries, and to compensate Israel by increasing military aid to \$30 billion over the next decade, boils down to an admission by President George W. Bush that after two botched terms, he is leaving behind a lot of scorched earth. The situation in Iraq is gridlocked; Iran is still developing the bomb; al-Qaida continues to stalk the earth; and the two-state solution in our neck of the woods is still far from being implemented, if it ever will be. His push for democratic elections in the territories has produced Hamastan in Gaza. Bush is ending his failed career the only way America knows how: Here, take the money, and work it out yourselves."

II. "From Winds of War to Seeds of Peace?"

Columnist Anshel Pfeffer wrote in the conservative, independent Jerualem Post (07/31): "Only a few weeks ago, just about everyone ... was predicting a war this summer. Now, they've all disappeared and in their place we suddenly have a procession of peace-makers descending on Jerusalem.... Tony Blair might have been an effective prime minister, but he's now on the path to being a has-been. Anyway, his American friends weren't prepared to entrust him with anything more than being an economic coordinator. Not that they're doing much better. What are the chances that the weakest and most discredited US administration in living memory, whose rating is low especially in this region, will succeed where no one has before in resolving our conflict? Neither is this a particularly good period for the Arab League -- with Iraq in ruins, Lebanon tottering on the brink, and the rest of the members shaky and at each other's throats. Even if all these intermediaries were actually capable of brokering an agreement, could the most unpopular Israeli prime minister in history push it through the Knesset, let alone sell it to the Israeli public? As for Abbas, he isn't even in control of half his territory and people. Meanwhile, Hamas, which is really calling the shots, is out of the negotiations.... We might not be facing war in the next few weeks, but an outbreak of peace isn't in the cards either."

III. "Good News"

Well-known novelist and journalist Amos Oz wrote in the mass-circulation, pluralist Yediot Aharonot (07/31): "The separation between Gaza under Hamas rule and the West Bank that is controlled by the moderates serves us with an historic opportunity to make peace between Israel and the Mahmoud Abbas government. Both the Olmert government and the Abbas government accept the principle of two states for two peoples, the idea of land for peace and the approach that champions ending the Israeli occupation. The points in contention are plentiful, but over none are the parties separated by an unbridgeable gap. Intensive negotiations are likely to bridge the differences and produce a draft agreement.... The Israeli gestures are liable to turn into nothing more than crumbs tossed to the poor if they are not followed by intensive and far-seeing negotiations for the resolution of all the issues that still remain in contention and to the establishment of Palestinian state on the West Bank.... Are the governments of Ehud Olmert and Mahmoud Abbas strong enough to persuade the two peoples to accept an agreement in which both are going to have to make painful concessions? ... if they both muster the courage and reach a draft agreement, and if that draft agreement is put to a referendum in Israel and Palestine, it will become evident to everyone that the two peoples are willing to reach a compromise solution.... The two peoples already know what the bottom line is. And they are destined to accept that bottom line in a referendum -- even if they do so through gritted teeth."

IV. "America's best friends"

Columnist Caroline Glick wrote in the conservative, independent Jerusalem Post (07/31): "There are two principal causes of the US's coolness toward Israel and warm embrace of the Saudis. First, the administration's failure to achieve its goals in Iraq strengthened the influence of the Saudi's Cold War proponents. These proponents, led by former secretary of state James Baker's disciples Secretary of State Condoleezza Rice and Secretary of Defense Robert Gates, advance their Saudi-centric agenda while paving the way for a US withdrawal from Iraq without victory.... The second cause of the administration's hostility toward Israel is the Olmert government's irresolute handling of the Second Lebanon War last year.... Last summer the Olmert government led Israel to defeat in Lebanon, it weakened the standing of administration officials who view Israel as a strategic ally and oppose the Saudis, while strengthening Israel's Baker-inspired foes who view Israel as a strategic liability. The Olmert government's enthusiastic embrace of capitulation as a national policy toward the Palestinians in Judea and Samaria merely serves to strengthen the US view that Israel is a strategic liability rather than an asset. Yet the lessons of the Cold War, and those of the past 15 years remain clear. The Saudis remain at best fair-weather friends to the US, while Israel's strength or weakness directly impacts US national security and geopolitical interests.... If the US were willing to understand the clear lessons from its Cold War experience in the Middle East, it would not be pushing Israel to weaken itself still further through land giveaways to Iran's Palestinian proxies. It would not be actively undercutting Israel's national security by supplying sophisticated weapons to the Saudis. It would be admonishing the Olmert government for its irresponsible behavior and exhorting Israel not to go wobbly because it is needed for the larger fight."

IV. "No Resemblance to Peace"

Former Director General of the Prime Minister office Yossi Ben Aharon wrote in the popular, pluralist Maariv (07/31): "The international conference scheduled for September is totally different from the one held in 1991 [the Madrid Peace Conference]. Back then all Arab elements ... deterred from holding direct negotiations with Israel.... Since then the situation has completely changed and we held negotiations with everyone. So why do we need this conference now? Olmert and his deputy do not miss a chance to declare on far-fetching concessions to the Palestinians.... The current American administration - perceived as more friendly than the one of Bush senior - puts Israel in face of done deals, it intervenes in the details of the negotiations and Olmert does not react. The most dangerous possible outcome of this conference would be for the Olmert government to internalize the conflict.... Implementing this idea will turn Israel into a protge of the international community and hurt its sovereignty dearly. All this will be in exchange for an agreement that bears no resemblance to peace."

